

Dairy Farmer/Co-op Hedging

Swap Counterparty A

Buys customized swap
based on Class III milk
price from co-op

Dairy Farmer

- Contracts with co-op to sell milk based upon Class III milk futures and buys customized financial tool (based on corn and soymeal futures) to hedge feed
- Locks in a margin



Co-op

- Contracts with farmers
- Hedge with swap agreements with commercial counter-parties



Swap Counterparty B

 Sells customized swap based on corn futures to co-op

Farmer cooperatives provide customized hedging solutions to dairy farmers, allowing them to lock in a margin to help ensure future profitability. The cooperative will in turn offset that risk by buying financial futures on corn and soybean meal while selling class III milk futures.

Swap Counterparty C

Sells customized swap
based on soybean meal
futures to co-op